TFSA Investors: 1 Great Business to Hold Over the Long-Term

Description

Canadian National Railway ([TSX:CNR](#))([NYSE:CNI](#)) is engaged in the [rail and related transportation business](#). Canadian National (CN) owns a network of 19,500 route miles of track spans Canada and the United States (U.S.) and is the only railroad connecting Canada's eastern and western coasts with southern U.S. CN's extensive network and efficient connections to all Class I railroads provide CN customers with access to Canada, the U.S. and Mexico.

Essential to the economy, to the customers, and to the communities it serves, CN safely transports every year more than 300 million tons of cargo, serving exporters, importers, retailers, farmers and manufacturers. CN's [freight revenues](#) are derived from seven commodity groups representing a diversified and balanced portfolio of goods transported between a wide range of origins and destinations.

Product and geographic diversity

CN's product and geographic diversity better positions the company to face economic fluctuations and enhances CN's potential for growth opportunities. CN's largest commodity group accounts for about 27% of total revenues and 16% of revenues relate to U.S. domestic traffic, 31% relate to transborder traffic, 17% relate to Canadian domestic traffic and 36% relate to overseas traffic. The company is the originating and terminating carrier for over 65% of traffic moving along the transportation network, which allows it to capitalize on service advantages and build on opportunities to efficiently use assets.

Robust business strategy

CN's business strategy is anchored on the continuous pursuit of operational excellence. The company's goal is to deliver valuable transportation services for customers and to grow the business at a low incremental cost. A clear strategic agenda, driven by a commitment to innovation, improving supply chains, potential acquisitions, running trains safely, and minimizing environmental impact, drives the company's efforts to create value for customers.

CN creates value for shareholders by striving for sustainable financial performance through profitable top-line growth, adequate free cash flow and return on invested capital. CN is also focused on returning value to shareholders through dividend payments and share repurchases.

Focus on sustainability

Sustainability is at the heart of how the company is building the business for the future. It means moving customer goods safely and efficiently, being environmentally responsible, attracting and developing the best diverse team of railroaders, helping build safer and stronger communities, while adhering to the highest ethical standards. This drives how the company operates the business and supports the company's continuing transformational journey.

Prudent capital spending

In 2020, the company invested approximately $2.9 billion, with $1.6 billion invested to maintain the safety and integrity of the network, particularly track infrastructure. CN's capital spending also included $0.8 billion on strategic initiatives to increase capacity, enable growth and improve network resiliency, including line capacity upgrades and information technology initiatives.

CN's success and long-term economic viability depend on the presence of a supportive regulatory and policy environment that drives investment and innovation. CN's success also depends on a stream of capital investments that supports the company's business strategy. CN has pioneered scheduled railroading and the company's vision is to be the first railroad to using advanced technology as a driver for safety as well as customer and shareholder value.

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